

# Medicaid Audit – General Assembly Request: Findings Overview

## For Discussion Purposes Only

December 6, 2012

17th  
→ getting issues sheets  
mon/Tues  
→ respond by Xmas

### Noncompliance with the Certified Budget

- State Plan Amendments: SPA delays have had little impact on the shortfalls over the last three years, and the SPA process appears to be effective. When projected savings were not realized, it appears the calculations did not take implementation time into account, and SPAs were not retroactively implemented due to system constraints and decisions made by DMA.
- DMA inappropriately retained \$131.8M of federal funds owed in FY12. Most of this is drug rebate money. There is not a consistent accounting practice for handling drug rebates. SB 797
- Directives to achieve budgeted savings were not followed (HB 200).
- Noncompliance with the certified budget reduces government accountability.

### Financial Projections

- DMA focuses on forecasts for medical payments. Financial projections do not include all relevant expenses, such as Fund 1330, 1992, and 1320. Known expenditures such as repayments for personal care services (\$41.7M) and an installment repayment for the 2009 overdraw (\$40.9M) were not included in the budget for 2012. Therefore, DMA began the year with an \$82.6M shortfall.
- DMA does not follow best practices to improve its forecasting methodology by comparing forecasts to actual budget performance to determine the variances and reasons for the variances.
- Financial projections do not extend beyond the current biennium. Best practices recommend multi-year forecasts to allow policymakers to engage in informed long-term planning.

### Administrative Expenses

- Compared to other states with similar medical assistance payment spending, NC administrative costs are significantly higher.
- DMA consistently exceeds budgeted amounts for contracted administrative costs.
- There is a little oversight of administrative expenses coming from sister agencies.

NOTS? \*

### Reporting

- DMA is not providing timely and useful reports and essential data to stakeholders such as OSBM and Fiscal Research.

\* give Monica heads up → Dan Stewart participated  
Hughes (controllers) - 1A

Send DPIT work  
to Laura